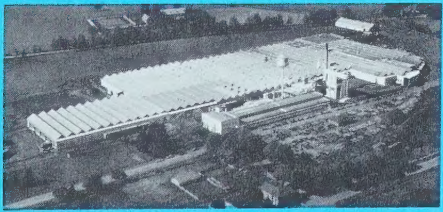
GSW

AR32

1964

53rd

ANNUAL REPORT



BEATTY BROS. LIMITED
FERGUS, ONTARIO

Established 1874

FOR THE YEAR ENDED
DECEMBER 31, 1964

BEATTY BROS. LIMITED

(Incorporated under the laws of Canada)

and Subsidiary Companies YEAR ENDED DECEMBER 31, 1964

FACTS IN BRIEF

	1964	1963
Net sales	$50,067,658	$49,648,990
Net profit for year	443,183	696,866
Increase (decrease) in earned surplus for year	(3,913)	65,044
Bank loan and short term notes (less cash)	6,087,544	792,485
Total current assets	20,987,067	16,359,085
Total current liabilities	13,214,191	7,327,482
Ratio — current assets to current liabilities	1.6 to 1	2.2 to 1
Working capital	7,772,876	9,031,603

SUMMARY OF FINANCIAL ACTIVITIES

FACTORS WHICH REQUIRED CASH:			
Increase of assets —			
Inventories		$3,165,170	
Accounts receivable		1,109,559	
Licence, tooling and fixed assets acquired from Maxwell Limited		575,000	
Fixed asset additions (net)		435,458	$5,285,187
Redemption of preferred shares		2,160,492	
Purchase of Class "A" shares		405,707	2,566,199
Reduction of funded debt of subsidiaries			217,000
Income tax and other costs in connection with sale of assets to General Steel Wares Limited as of January 2, 1964			81,889
			$8,150,275
FACTORS WHICH PROVIDED CASH:			
Sale of Toronto River Street plant and machinery of Toronto River and Easy Miranda Plants		$1,535,956	
Less mortgage thereon		650,000	
		$ 885,956	
Increase in accounts payable and other liabilities		614,448	
Decrease in prepaid expenses, income taxes recoverable and mortgages receivable		37,616	
Operations —			
Net profit for the year	$ 443,183		
Add: Items included therein which did not require an outlay of funds:			
Depreciation	678,034		
Amortization of licence and tooling	84,000		
Interest of minority shareholders in profits of subsidiaries	112,866		
	$1,318,083		
Less net profits on share redemptions included in profit for year	887	1,317,196	2,855,216
INCREASE IN BANK LOAN AND SHORT TERM NOTES (NET)			$5,295,059

REPORT OF THE BOARD OF DIRECTORS

To The Shareholders:

Your directors take pleasure in presenting the annual report of the company for the year ended December 31, 1964.

On January 2, 1964, the business of Beatty Bros. Limited was sold to General Steel Wares, and as a result, your company now carries on no active business of its own. The company received cash equal to the net book value of the assets sold. Assets not sold were liquidated in the normal course of business pursuant to the sale agreement with General Steel Wares. The company also received 150,000 shares of General Steel Wares thus increasing your company's holdings to about 72% of the outstanding common shares.

The consolidated balance sheet of your company thus shows all the assets owned by General Steel Wares, and also shows your company's interest in these assets and the interest of the other shareholders of General Steel Wares. The statement of profit and loss shows your company's interest in the profits of General Steel Wares plus profit realized on assets not sold to General Steel Wares.

Because of the importance of General Steel Wares to the shareholders of Beatty Bros. the annual report of that company, including the financial statements and comments on operations and the financial position, is enclosed.

Operating Results:

Your company's consolidated net profit for the year was $443,000 after deducting the interest of outside preferred and common shareholders of General Steel Wares in the net profit of that company. This compares with a net profit for 1963 of $697,000.

This drop is accounted for by the very substantial costs incurred in 1964 by General Steel Wares in major relocations of production facilities as described in the General Steel Wares report. The direct relocation costs of $428,000 are shown separately in the statement. Many other costs in connection with the moves were not segregated in the accounts and were charged to regular operating expenses. All costs related to the moves were written off during the year.

There was a substantial gain on the sale of the company's business to General Steel Wares, paid for by the acquisition of 150,000 shares of that company. No profit was recorded at the time of the sale. This gain will be realized over future years through your company's increased interest in the General Steel Wares earnings. Income taxes and other costs incurred in making this sale have been charged to earned surplus.

Financial Position:

During the year the consolidated working capital decreased from $9,032,000 to $7,773,000 and bank loans and short term notes increased by $5,295,000.

The main reason for the reduction in consolidated working capital was the redemption of preferred shares and the purchase of Class A shares for a total of $2,548,000. This was offset in part by the realization of $1,536,000 ($886,000 in cash; $650,000 in a short term mortgage) from the sale of the General Steel Wares Toronto plant and of machinery in this plant and in the Easy Toronto plant.

The liability for bank loans and short term notes was increased partly as a result of the above and partly as a result of $3,165,000 increase in total inventories and $1,110,000 increase in accounts receivable.

Outlook:

While results for 1964 have been depressed by the major relocations of General Steel Wares operations, your directors are of the opinion that the integration of the business within the framework of the operating subsidiary will, in the long run, prove to be an important factor in improving the profitability of the company. Your directors are not satisfied with the profit performance of the year, but we do feel that your company is now in a much better position to develop the profit potential we believe exists in this business.

Your directors would like to express their appreciation for the efforts of management and employees at all levels who have worked so loyally and hard during this year of change.

Fergus, Ontario,
March 23, 1965.

On behalf of the Board

President

BEATTY BROS. LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET DECEMBER 31, 1964

(with comparative figures for 1963)

ASSETS

	1964	1963
CURRENT ASSETS:		
Cash	$ 101,987	$ 361,118
Accounts receivable, less allowance for doubtful accounts	5,855,125	4,745,566
Income taxes recoverable	87,301	140,192
Inventories, valued at the lower of cost or market	13,881,625	10,716,455
Prepaid expenses and manufacturing supplies	411,029	395,754
Mortgage receivable due December 31, 1965, deposited with Trustee for First Mortgage Bonds	650,000	
Total current assets	$20,987,067	$16,359,085
FIXED ASSETS:		
Land, buildings and equipment	$15,771,516	$19,951,740
Less accumulated depreciation	11,146,200	13,222,892
	$ 4,625,316	$ 6,728,848
Less provision for expected loss on disposal of machinery and equipment of General Steel Wares Limited on the planned relocation of manufacturing facilities		400,000
	$ 4,625,316	$ 6,328,848
OTHER ASSETS:		
Excess of cost of common shares of subsidiary companies over book value thereof at dates of acquisition—		
General Steel Wares Limited	$ 428,815	$ 404,600
The Easy Washing Machine Company, Limited (on its acquisition by General Steel Wares Limited)	507,079	507,056
	$ 935,894	$ 911,656
Licence and tooling in connection with a new business acquired, less amortization (note 4)	416,000	
Engineering, tooling and patent costs, less amounts written off	1	2
	$ 1,351,895	$ 911,658
	$26,964,278	$23,599,591

On behalf of the Board:

R. M. BARFORD, Director.

R. A. STEVENS, Director.

LIABILITIES

	1964	1963
CURRENT LIABILITIES:		
Bank loan	$ 1,389,531	$ 1,153,603
Short term notes	4,800,000	
	$ 6,189,531	
Accounts payable	5,330,839	4,869,600
Income and other taxes payable	607,893	334,946
Dividends payable	44,987	45,106
Provision for warranties	600,000	600,000
Sinking fund instalments of funded debt due within one year	237,500	208,500
Sinking fund for preferred share redemption	203,441	115,727
Total current liabilities	$13,214,191	$ 7,327,482
FUNDED DEBT OF SUBSIDIARY COMPANIES (note 2)	3,957,000	4,203,000
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS	180,500	180,500
RESERVE FOR FUTURE TOOLING COSTS	250,000	250,000
MINORITY INTEREST IN GENERAL STEEL WARES LIMITED AND ITS SUBSIDIARIES:		
5% cumulative redeemable preferred shares (redemption price $3,778,950)	$ 3,599,000	$ 3,608,500
Less sinking fund for preferred share redemption	203,441	115,727
	$ 3,395,559	$ 3,492,773
Common shareholders' interest in capital and surplus	1,901,211	1,875,114
	$ 5,296,770	$ 5,367,887
	$22,898,461	$17,328,869
SHAREHOLDERS' EQUITY: (note 5)—		
Issued and outstanding:		
84 5% non-cumulative redeemable preferred shares, par value $12.00 each	$ 1,008	$ 2,140,188
7,896 class "A" shares without par value convertible into preferred shares	13,386	75,198
417,000 common shares without par value	737,500	737,500
	$ 751,894	$ 2,952,886
Earned surplus	3,313,923	3,317,836
Total shareholders' equity	$ 4,065,817	$ 6,270,722
	$26,964,278	$23,599,591

PROFIT AND LOSS YEAR ENDED DECEMBER 31, 1964

(with comparative figures for 1963)

	1964	1963
Net sales	$50,067,658	$49,648,990
Less cost of sales, selling and administrative expenses before providing for the undernoted items	47,734,159	47,408,243
	$ 2,333,499	$ 2,240,747
Interest on funded debt	181,841	191,271
Interest on other loans	202,822	197,436
Depreciation	678,034	680,724
Amortization of licence and tooling in connection with a new business acquired (note 4)	84,000	
	$ 1,146,697	$ 1,069,431
Profit before income taxes	$ 1,186,802	$ 1,171,316
Income taxes (note 6)	88,500	219,700
	$ 1,098,302	$ 951,616
Gain on fixed asset disposals	64,672	145,160
Profit (net) on redemptions of preferred and preference shares of subsidiaries	887	10,323
Profit for the year before non-recurring expense	$ 1,163,861	$ 1,107,099
Direct plant relocation costs	427,831	
Net profit before minority interest in profits of subsidiaries	$ 736,030	$ 1,107,099
Less:		
Dividends paid on preferred and preference shares of subsidiaries	179,981	200,405
Interest of minority shareholders in profits of subsidiaries	112,866	209,828
	$ 292,847	$ 410,233
NET PROFIT FOR THE YEAR	$ 443,183	$ 696,866

EARNED SURPLUS YEAR ENDED DECEMBER 31, 1964

Balance, beginning of year		$3,317,836
Add net profit for the year		443,183
		$3,761,019
Deduct:		
Income tax and other costs in connection with sale of assets to General Steel Wares Limited as of January 2, 1964 (note 3)		81,889
Appropriation of surplus (note 5)		
—on conversion of Class "A" shares to preferred shares	$ 18,168	
—on purchase of Class "A" shares by the company	347,039	365,207
		$ 447,096
EARNED SURPLUS, END OF YEAR		$3,313,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1964

1. Subsidiary companies consolidated:

The consolidated financial statements reflect a consolidation of Beatty Bros. Limited and its partially owned subsidiaries, General Steel Wares Limited and The Easy Washing Machine Company, Limited, and several other small subsidiaries.

2. Funded debt:

Details of this debt are as follows:

	Outstanding	*Sinking Fund instalment due within one year*	*Net*
General Steel Wares Limited—			
First Mortgage Bonds:			
Series "A" — 3½%, due May 1, 1970	$2,221,500	$126,500	$2,095,000
Series "B" — 5%, due April 15, 1973	1,631,000	79,000	1,552,000
	$3,852,500	$205,500	$3,647,000
The Easy Washing Machine Company, Limited—			
Sinking Fund Debentures:			
Series "A" — 5¾%, due June 30, 1969	342,000	32,000	310,000
	$4,194,500	$237,500	$3,957,000

The total amount of General Steel Wares bonds authorized was $8,000,000. Of these, $1,500,000 have not been issued. The total amount of Easy Washing Machine Company, Limited debentures authorized was $1,500,000, of which $750,000 have not been issued.

3. As of January 2, 1964, Beatty Bros. Limited sold certain of its assets together with its business undertakings to its subsidiary, General Steel Wares Limited. The sale price was $1,384,757 paid in cash being the net book value of the assets sold plus 150,000 common shares of General Steel Wares Limited valued at $1,950,000. Because this was a sale to a subsidiary no profit is reflected in the consolidated financial statements. The profit will be realized in future years through increased participation in the profits of General Steel Wares Limited.

4. As of February 29, 1964, the wringer business of Maxwell Limited and the Canadian rights to the Lovell wringer mechanism were purchased. In this connection a licence and tooling were acquired at a cost of $500,000 which is being amortized.

AR32

M59

5. Capital:

The capital of the company is as follows:

5% non-cumulative redeemable preferred shares par value $12.00 each. After January 1, 1965, these shares become cumulative.	
Authorized: 105,942 shares (after deducting 311,058 shares which have been redeemed)	
Issued and outstanding: 84 shares	$ 1,008
Class "A" shares without par value convertible share for share into preferred shares.	
Authorized: 7,896 shares (after deducting 409,104 shares which have been converted into preferred shares or purchased and cancelled)	
Issued and outstanding: 7,896 shares	13,386
Common shares without par value	
Authorized: 600,000 shares	
Issued and outstanding: 417,000 shares	737,500
	$751,894

During 1964, 180,041 preferred shares were redeemed at their par value of $12.00 each.

During 1964, 1,776 Class "A" shares were converted to preferred shares and 33,146 Class "A" shares were purchased for cancellation at a price of $12.24 per share.

The appropriation of earned surplus resulting from these transactions was computed as follows:

	On conversion of 1,776 Class "A" shares into preferred shares	*On purchase of 33,146 Class "A" shares*
Purchase price of 33,146 shares at $12.25 per share		$405,707
Par value ($12.00 per share) of 1,776 preferred shares into which the Class "A" shares were converted	$21,312	
Less: Value at which the Class "A" shares were carried in the capital account (approximately $1.77 per share)	3,144	58,668
Appropriation of earned surplus	$18,168	$347,039

6. Income taxes:

The income taxes deducted in arriving at the net profit for the year have been reduced by approximately $270,000 as a result of the carry-forward of prior years' losses incurred by subsidiaries.

7. Fees and salaries:

Directors' fees for 1964 were $12,425 and salaries of officers and legal fees were $216,412.

AUDITORS' REPORT

To the Shareholders of

Beatty Bros. Limited:

We have examined the consolidated balance sheet of Beatty Bros. Limited and its subsidiary companies as at December 31, 1964 and the consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and the consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 22, 1965.

Clarkson, Gordon & Co.
Chartered Accountants

Beatty

Beatty

BOARD OF DIRECTORS

R. M. Barford	G. R. Gardiner
R. A. Stevens	Miss M. P. Hyndman, Q.C.
A. A. P. Menzies	G. E. Robertson
W. F. Pearson	G. Rodanz

R. Pigeon

OFFICERS

G. R. Gardiner	Chairman
R. M. Barford	President and Treasurer
R. A. Stevens	Executive Vice-President
A. A. P. Menzies	Vice-President
Miss M. P. Hyndman, Q.C.	Secretary

TRANSFER AGENT and REGISTRAR
The Canada Trust Company

BANKERS — The Bank of Nova Scotia

AUDITORS — Clarkson, Gordon & Co.

BEATTY BROS. LIMITED
Head Office - Fergus, Ontario

Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Beat1705_1964

AR32

MEMORANDUM OF AGREEMENT made as of the 2nd day of January, A.D. 1964.

B E T W E E N:

BEATTY BROS. LIMITED, a company incorporated under the laws of Canada and having its head office in the Town of Fergus, in the County of Wellington, Ontario, hereinafter referred to as "Beatty Bros."

OF THE FIRST PART

— and —

GENERAL STEEL WARES LIMITED, a company incorporated under the laws of Canada and having its head office in the City of Toronto, hereinafter referred to as "General Steel."

OF THE SECOND PART

IN CONSIDERATION of the mutual covenants hereinafter contained the parties hereto hereby agree one with the other as follows:

1. Beatty Bros. agrees to sell and General Steel agrees to buy all the undertaking, assets and goodwill of Beatty Bros. of every nature and kind wheresoever situate owned by Beatty Bros. as of January 1, 1964, excepting only cash on hand and in banks, trade accounts receivable, (including the amount owing by General Steel on January 1, 1964) refundable income tax, inventories of finished goods (other than repair parts) and work in process and the holdings of Beatty Bros. of the capital stock of General Steel, for the sum of $3,334,756.66 on the terms and payable in the sums and in the manner hereinafter set out:

(1) Lands and buildings set out in schedule "A" to this agreement for the sum of $328,364.56 being their depreciated cost as shown on the books of Beatty Bros.

(2) All machinery and equipment owned by Beatty Bros. and listed and described in Schedule "B" hereto for the sum of $199,611.47 being their depreciated cost as shown on the books of Beatty Bros.

(3) All tools, dies, jigs, moulds, welding fixtures situate in the plant of Beatty Bros. at Fergus, Ontario, or elsewhere for the sum of $250,844.56.

(4) All inventories of purchased parts and raw materials for the sum of $445,346.00 being their value as shown on the books of Beatty Bros., computed at the lower of cost or market value.

(5) Factory supplies, unemployment insurance and other deposits, prepaid insurance premiums and other monies, deposits and prepaid items at their value on the books of Beatty Bros. in the sum of $185,514.13.

(6) Repair parts for the sum of $206,989.00 being their value on the books of Beatty Bros. computed on the basis of the factory costs for quantities not exceeding three times the quantity sold by Beatty Bros. during 1963.

(7) The holdings of Beatty Bros. in the capital stock of Beatty Bros. Incorporated and Beatty Bros. (N.Z.) Limited, and Beatty Bros. Appliances Pty. Limited, together with outstanding advances to these companies for the total sum of $18,931.50 being the cost of such shares to Beatty Bros. and the amount of such advances less provision for losses incurred up to January 1, 1964.

(8) All other property, assets and rights owned or used by Beatty Bros. in connection with its business or to which Beatty Bros. is entitled in connection with the said business and the goodwill of Beatty Bros. and without limiting the generality of the foregoing, including all patents, trade marks, trade names, licensing agreements and all its right, title and interest in the name "Beatty" except for the right of Beatty Bros. to use the word "Beatty" as part of its corporate name and including the benefit of the restrictive covenant hereinafter contained in Clause 3 and the cancellation of the right of Beatty Bros. to receive royalty payments hereinafter contained in Clause 13, for the sum of $1,699,155.44.

2. The said purchase price for the said assets shall be paid by General Steel upon the ratification of this agreement by the shareholders of both General Steel and Beatty Bros. by the payment of $1,384,756.66 in cash and of $1,950,000.00 by the issue to Beatty Bros. of 150,000 no par value fully paid common shares of General Steel at the price of $13.00 per share being the market value of such shares at December 31, 1963.

3. Beatty Bros. hereby agrees that it will not, for a period of twenty-five (25) years from the date of ratification of this agreement by the shareholders of Beatty Bros. and General Steel, as hereinafter provided for, engage directly or indirectly in any business in Canada or elsewhere in which it has been formerly engaged or which would be in competition with any business now carried on by General Steel.

4. General Steel agrees with Beatty Bros. to assume the obligations of Beatty Bros. after January 1, 1964 in respect of labour union agreements and pension agreements with the employees of Beatty Bros. and other employee benefits now enjoyed by the employees of Beatty Bros.

5. Beatty Bros. agrees to pay and satisfy all debts and liabilities owing by it on January 1, 1964 (except as set out in Clause 6) including its liability in respect of a judgment of the Exchequer Court of Canada in an action against Beatty Bros. by Lovell Manufacturing Company and Maxwell Limited, and agrees to indemnify and save harmless General Steel in respect of any and all claims or demands in respect of such debts and liabilities.

6. General Steel agrees to assume all liabilities of Beatty Bros. which may arise on or after January 1, 1964 incurred in the normal course of the business being sold to General Steel and General Steel further agrees specifically to assume and satisfy all liabilities of Beatty Bros. and its subsidiaries in respect of product warranties in writing in respect of finished goods sold subject to warranty either by Beatty Bros. before January 1, 1964 or sold by General Steel for the account of Beatty Bros. on or after January 1, 1964 as hereinafter provided for.

7. Beatty Bros. hereby warrants that all raw materials and purchased parts which are described in Clause 1(4) hereof are useable for the manufacture of lines of products currently being sold by Beatty Bros.

8. General Steel agrees to complete all goods in process of Beatty Bros. on hand at January 1, 1964, and to sell such goods when finished as well as the finished goods of Beatty Bros. on hand at January 1, 1964 for Beatty Bros.; such goods shall remain the property of Beatty Bros. until sold and General Steel agrees to account for and remit to Beatty Bros. all sums received from their sale less such amounts as will compensate General Steel for the costs (materials, parts, labour and factory overhead) incurred by it in finishing such goods, and for the cost (sales commissions and salaries, freight and applicable Sales Department and other expenses) incurred by it in selling such goods. These costs shall be determined in accordance with the usual accounting procedures followed by General Steel (which are similar to the usual accounting procedures followed by Beatty Bros.). In the event of a dispute over the determination of such costs, Messrs. Clarkson, Gordon & Co. will prepare a calculation as to their amount and this will be final.

9. The sale price of the said goods as provided for in the preceding clause of this agreement shall be paid by General Steel to Beatty Bros. within five (5) days after the receipt of such sale price by General Steel.

10. General Steel agrees to keep any assets owned by Beatty Bros. and located in the property of General Steel fully insured for the benefit of Beatty Bros.

11. This agreement shall become effective only upon ratification by and approval of the shareholders of both General Steel and Beatty Bros, for which purpose special meetings of their respective shareholders shall be held by Beatty Bros. and General Steel in accordance with their respective by-laws and this agreement is also subject to the provisions of the Bulk Sales Act.

12. Upon the ratification and approval of this agreement as hereinafter provided for, Beatty Bros. shall immediately take and procure to be taken all proper steps, actions and corporate proceedings to enable it to vest a good and marketable title in General Steel to the said business, property and assets hereby agreed to be sold and purchased free of all liens and encumbrances and Beatty Bros. shall deliver to the purchaser of such deeds, conveyances, assurances, transfers, bills of sale, assignments and consents and other documents as the solicitors for General Steel may reasonably require.

13. If this agreement should not be ratified by the shareholders of both General Steel and Beatty Bros., it is hereby understood and agreed that both companies shall stand in the same position as if this agreement had not been entered into, that is to say that Beatty Bros. will retain profits earned since January 1, 1964 and will likewise bear any losses which might be suffered.

14. Beatty Bros. hereby agrees with General Steel to forego all its rights to royalties under paragraph 3(4) of an agreement between Beatty Bros. and General Steel dated the 12th day of September, 1962.

15. This agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns.

16. Beatty Bros. agrees to change its corporate name to a name not including the word "Beatty" at the request of General Steel within one year of such request.

IN WITNESS WHEREOF the parties hereto have caused their respective corporate seals to be hereunto affixed duly attested by their proper officers authorized in that behalf.

BEATTY BROS. LIMITED
G. Ernest Robertson, Director
George Rodanz, Director

GENERAL STEEL WARES LIMITED
R. C. Berkinshaw, Director
D. S. Johnson, Director

SCHEDULE "A"

TO AN AGREEMENT BETWEEN BEATTY BROS. LIMITED AND GENERAL STEEL WARES LIMITED DATED JANUARY 2nd, 1964

I. MAIN PLANT — in the Town of Fergus, in the Province of Ontario and comprising
1. part of block 3 containing 30½ acres more or less
2. Pine and Cedar Streets and that part of Maple Street lying North West of Hill Street on Plan 199 in Fergusson's Survey
3. Lots 10 and 11 on the South side of Garafraxa Street and between Maiden Lane and Breadalbane Street
4. that part of Breadalbane Street between Hill and Garafraxa Streets
5. Lots 15 to 31 each inclusive, Plan 199 save and except part of Lot 15.

II. WAREHOUSE PROPERTY — in the Township of Nichol, in the Province of Ontario and comprising
1. part of Broken Front Lot 8 in the 14th Concession
2. part of Broken Front Lot 8 North of Grand River in the 14th Concession containing 3/5 acres more or less.

WAREHOUSE PROPERTY — in the Town of Fergus, in the Province of Ontario and comprising
1. part of Block 2 in the Westwood Farm on the South-Easterly side of St. George Street.

III. BUSINESS PROPERTIES — in the Town of Fergus, in the Province of Ontario and comprising

1. Part of Lot 1 on Tower Street on the South East side of St. Andrew Street on the Grand River
2. North West half of Lot 1 on the South East side of North St. Andrew Street containing ⅛ acres more or less.

IV. VACANT LAND — in the Town of Fergus, in the Province of Ontario and comprising

1. (a) Part of the Fergus Mill Lot including water privileges connected therewith, Plan 239
   (b) Parts of Lots "O" and "P" and part of Lane in rear thereof, Plan 239
2. Part of Block F on south side of Union Street, Fergusson's Survey
3. Lots 30 to 33, 56 to 63 each inclusive on Fergusson's Survey
4. Part of Lots 13 and 14 on north side of St. George Street
5. All of Lot 24 and part of Lot 1 on north-eastern side of Maple Street and part of Lots 21, 22 and 23 on the south-eastern side of Hill Street, Plan 199 containing an area of 33,330 square feet more or less
6. Part of Lots 12, 13 and 14 on north-west side of Hill Street and part of Lot "Y" Plan 199 and part of Block 3 in the Westwood Farm
7. Lots 1, 2, 3, 4, 5 and 6 on south-west side of Maiden-lane, Lots 6, 7 and 8 on the south side of Garafraxa Street, Lot 1 on the north-east side of Cherry-lane and Lot "X" on the south-west side of Cherry-lane
8. Part of Lots 2 and 5, Plan 55, part of Lots A, B, C and D and a lane Plan 239 and part of the Mill Lot on the Plan of Fergus comprising a strip of land along the south-west bank of the Grand River and a lane to Queen Street.

V. FACTORY PROPERTY — in the Township of Penetanguishene, in the Province of Ontario and comprising

1. All of Lots 110, 111, 112 and 113 on the West side of Fox Street, Plan 70 and part of Lot 114, Plan 70 and part of water lot adjoining said parcel containing 6762 square feet.

VI. WAREHOUSING PROPERTY — in the City of Edmonton, in the Province of Alberta and comprising

1. Lots 151 and 152 in Block 6 in the Hudson Bay Company's Reserve, Plan B-2, reserving thereout all mines and minerals.

VII. Any and all other lands and premises owned by Beatty Bros. Limited.

SCHEDULE "B"

TO AN AGREEMENT BETWEEN BEATTY BROS. LIMITED AND GENERAL STEEL WARES LIMITED DATED JANUARY 2nd, 1964

1. All plant machinery and equipment, warehouse equipment and office furniture and equipment of any and all description contained in the buildings on and adjacent to Hill Street West in Fergus described in Schedule "A" and, without limiting the generality of the foregoing, including all presses, automatic screw machines, lathes, milling machines, drills, boring mills, broaching machines, automatic chuckers, bullards, grinders, gear-hobbers, shears and brakes, rolling machines, automatic tappers, thread rolling machines, slotters and shapers, balancing equipment, welding equipment, plating, finishing and painting equipment, tool room equipment, lift trucks, assembly line equipment, shelves, racks, benches, tote boxes and hand trucks.
2. All machinery and equipment, warehouse equipment and office furniture and equipment of any and all description contained in the buildings in Edmonton, Alberta and Penetanguishene, Ontario described in Schedule "A".
3. All warehouse equipment and office furniture and equipment of any and all description contained in leased premises in St. John, New Brunswick, Montreal, Quebec, Winnipeg, Manitoba and New Westminster, British Columbia and including a truck at Montreal.

AR32

Fx4

APR 27 1964

BEATTY BROS. LIMITED

To the Shareholders:

Enclosed with this letter is the annual report of your company for the year ended December 31, 1963. For the first time since the acquisition in 1962, the accounts of General Steel Wares Limited have been consolidated with those of Beatty Bros. Limited, reflecting the 62% interest held by your company. This report indicates that the consolidated operations have shown marked improvement during 1963.

In view of the many similarities between the businesses carried on by the two companies, your directors and management have for some time been considering the advantages of a more complete integration of the two companies.

It is against this background that your directors present to you a proposal that the business and undertakings of Beatty Bros. Limited be sold to General Steel Wares Limited as at January 1, 1964. At the annual general shareholders' meeting on April 28th you will be asked to vote on the proposal. Enclosed is a copy of the agreement in the form in which it will be presented to you at that time. All of the terms of the sale are included in the agreement, but to assist you in your review, we have summarized below the principal features of the proposal together with comments thereon.

(1) Assets to be sold as at January 1, 1964 are as follows:

All land, buildings, machinery and equipment principally located at Fergus, Ontario.

All tools, dies, jigs, patterns and fixtures.

Inventories of purchased parts, raw materials and repair parts.

Factory supplies and other miscellaneous assets including the interest of Beatty Bros. Limited in three small wholly-owned foreign subsidiaries located in the United States, New Zealand and Australia.

All other property, assets and rights as described in Clause 1(8) of the draft agreement herewith enclosed being mainly the goodwill of Beatty Bros. Limited.

(2) Amount to be received for these assets is as follows:

Cash	$1,384,756.66
150,000 common shares of General Steel Wares valued at $13.00 per share (market price at December 31, 1963)	1,950,000.00
TOTAL	$3,334,756.66

Details of individual amounts making up these totals are contained in the draft agreement.

With respect to these values, which in the opinion of your directors represent fair consideration, the following points should be noted —

(a) The amount to be received in cash will be received in respect of assets being sold at the book values shown on the books of the company.

(b) The amount of $250,844.56 allocated to tooling is considerably less than the current depreciated replacement value of approximately $1,535,000.00 appraised by The Canadian Appraisal Co. Limited in their report dated April 9, 1964.

(c) The amount of $1,699,155.44 is allocated to "goodwill" items as described in Clause 1(8) of the agreement.

(d) The depreciated replacement value of the land, buildings, machinery and equipment is substantially in excess of book values. On the other hand, the estimated sales value on a liquidation basis would be considerably less than depreciated replacement value.

The Fergus plant has been appraised by The Canadian Appraisal Co. Limited. Their report dated April 9, 1964 indicates approximate depreciated replacement values as follows (compared with net book values) —

	Approximate Appraised Depreciated Replacement Value	Net Book Value
Fergus Plant —		
Land and buildings	$1,400,000.00	$149,287.20
Machinery and equipment	3,100,000.00	190,302.92
Total	$4,500,000.00	$339,590.12
Outside Warehouse and Sundry Properties (not appraised) —		
Land and buildings		$179,077.36
Machinery and equipment		9,308.55
Total		$188,385.91
Total all fixed assets		$527,976.03

(3) Certain assets totalling $3,225,706.84 will not be sold to General Steel Wares and these are listed below at their book values at December 31, 1963:

Cash on hand	$ 341,115.30
Trade accounts receivable	939,040.28
Accounts receivable from General Steel Wares Limited	56,455.38
Inventories of work in process and finished goods	1,755,337.00
Income tax recoverable	119,194.69
Sundry investments	14,564.19
	$3,225,706.84

Beatty Bros. Limited, of course, will not sell its holdings of shares of General Steel Wares.

Collection of the accounts receivable will be remitted to Beatty Bros. Limited together with the proceeds of the sale of finished goods on hand at January 1, 1964 and finished goods resulting from the completion of work in process at January 1, 1964. General Steel Wares will charge Beatty Bros. Limited for costs of collection, for costs of completing work in process and for selling and other expenses incurred by it in selling the finished goods.

(4) Beatty Bros. Limited will pay all liabilities incurred up to January 1, 1964. These totalled $1,711,797.91.

(5) General Steel Wares will assume all warranty liabilities and all liabilities arising after January 1, 1964 in respect of commitments made by Beatty Bros. Limited in the ordinary course of business and will assume the cost of acquisition of the Maxwell wringer business.

(6) Beatty Bros. Limited will agree that for a period of twenty-five years it will not engage in any business in which it has hitherto engaged or which would be in competition with any business now carried on by General Steel Wares. In addition, Beatty Bros. Limited will release General Steel Wares from its obligation to pay a royalty of ½% on sales of Beatty appliances by General Steel Wares.

(7) Employees of Beatty Bros. Limited will become employees of General Steel Wares and all undertakings and obligations to employees will be assumed by General Steel Wares.

The points enumerated above constitute the substance of the proposal now before you. For complete details, however, shareholders should carefully examine the copy of the agreement enclosed. You will note that it is proposed that the sale of the business be made as at January 1, 1964. The choice of this date makes possible the consideration of the proposal on the basis of known facts and obviates the necessity of a special audit.

The effects of the proposal on your company will be two-fold.

(1) Your company will increase its holdings of General Steel Wares from 63% to 72% of the total common shares issued and outstanding. At the present time Beatty Bros. Limited owns 303,671 of 478,739 shares. If the proposal is accepted, it will own 453,671 shares out of 628,739 shares issued.

Through your company's holdings of shares in General Steel Wares you will be enabled to participate in the continued growth of the more fully integrated and diversified business which will result from the combination of the two existing businesses. Substantial operating savings should be made, particularly in the area of distribution costs.

(2) Beatty Bros. Limited will receive immediately from General Steel Wares cash of $1,385,000 and further substantial cash amounts will remain after the assets referred to in (3) above have been liquidated in due course and the liabilities referred to in (4) above have been paid.

It is the intention of your directors to use this cash for the purchase of all class "A" shares at a price of $12.24 and the redemption of all preferred shares outstanding at a price of $12.00. Total cash required to accomplish this would be $2,664,280.32.

It is the intention of the directors that the financial statements of General Steel Wares Limited will continue to be consolidated with those of Beatty Bros. Limited in our future annual statements and that Beatty shares will continue to be listed on the Toronto Stock Exchange.

The stronger company resulting from this consolidation will be, in our opinion, a sound investment for Beatty Bros. Limited and we recommend that you vote in favour of this proposal.

On behalf of the Board,

G. ERNEST ROBERTSON, Director
GEORGE RODANZ, Director

Fergus, Ontario,
April 10, 1964.